

FY 2002-03 Budget Detail for REGULATORY

**Career Development
Consumer and Industry Services
Michigan Strategic Fund**

**Summary: Enacted Appropriation
FY 2002-03 Career Development
House Bill 5643
Public Act 517 of 2002**

Analyst: Bob Schneider

						<u>Change from YTD at 5/10/02</u>	
	2001-02 YTD (as of 5/10/02)	Executive	House	Senate	Enacted	FTEs/Dollars	%
FTEs	1,147.0	1,094.0	1,095.0	1,094.0	1,095.0	(52.0)	(4.5)
Gross	\$526,169,600	\$534,318,700	\$534,317,100	\$536,495,700	\$461,321,600	(\$64,848,000)	(12.3)
IDG/IDT	\$1,048,000	\$0	\$0	\$0	\$0	(\$1,048,000)	(100.0)
Federal	\$463,699,900	\$472,569,200	\$472,569,200	\$472,569,300	\$406,469,200	(\$57,230,700)	(12.3)
Local	\$14,978,200	\$15,011,900	\$15,011,900	\$15,011,900	\$15,011,900	\$33,700	0.2
Private	\$2,396,300	\$2,396,300	\$2,396,300	\$2,396,300	\$2,396,300	\$0	0.0
Restricted	\$9,444,500	\$9,661,500	\$9,661,500	\$11,661,500	\$8,661,500	(\$783,000)	(8.3)
GF/GP	\$34,602,700	\$34,679,800	\$34,678,200	\$34,856,700	\$27,307,700	(\$7,295,000)	(21.1)

OVERVIEW

The Department of Career Development (DCD) was created by Executive Order 1999-1, which reorganized the former Michigan Jobs Commission. The Department's responsibilities focus on workforce development—assisting workers in preparing for and obtaining jobs and assisting businesses in obtaining skilled workers. To this end, the DCD administers various employment training and job readiness programs, including federal employment training programs through the Workforce Investment Act, the Work First and Welfare-to-Work programs, vocational rehabilitation programs for disabled individuals, career and technical training programs for both adults and youths, and the state's labor exchange system which matches employers and job seekers, primarily through the use of the Internet-based Michigan Talent Bank.

Major Budget Changes from FY 2001-02 YTD Appropriations:

1. Reed Act Funds - Work First

Removes \$66.1 million federal Temporary Assistance for Needy Families (TANF) funding from "Welfare-to-Work Programs" line item as part of fund shift, pursuant to target setting agreement. To be replaced by federal Reed Act funds through FY 2001-02 supplemental appropriation (House Bill 4373), which will provide Reed Act funds for these purposes for FY 2001-02 through FY 2003-04. "Welfare-to-Work Programs" line supports programs aimed at assisting welfare recipients with gaining permanent employment. State received just over \$291.0 million in Reed Act funds as part of federal economic stimulus package. Funds may be used to support unemployment insurance programs and employment service/job placement programs.

	<u>House</u>	<u>Senate</u>	<u>Enacted</u>
Gross	(\$100)	\$0	(\$66,100,000)
Federal	0	0	(66,100,000)
GF/GP	(\$100)	\$0	\$0

Major Budget Changes from FY 2001-02 YTD Appropriations:

		<u>House</u>	<u>Senate</u>	<u>Enacted</u>
2. Reed Act Funds - One Stop Centers	Gross	(\$100)	\$0	(\$7,000,000)
Removes \$6.0 million in federal Workforce Investment Act (WIA) funding and \$1.0 million in GF/GP, pursuant to target setting agreement, from "Job Training Programs Subgrantees" line item as part of fund shift. Replaced by federal Reed Act funds through FY 2002 supplemental appropriation (House Bill 4373) which will provide Reed Act funds for these purposes for FY 2001-02 through FY 2003-04. Line supports grants to regional Michigan Works! Agencies that provide re-employment services through the state's network of One Stop Service Centers. Federal WIA funds of \$6.0 million made available through the fund shift are transferred to Focus:HOPE and the Michigan Virtual University (see below).	Federal	0	0	(6,000,000)
	GF/GP	(\$100)	\$0	(\$1,000,000)
3. Council of Michigan Foundations	Gross	\$0	\$2,000,000	\$0
Restores target-setting reduction of \$1.0 million to grant appropriation for Council of Michigan Foundations (CMF) following enactment of tobacco tax increase. Boilerplate language (see below) triggered restoration; appropriation remains at FY 2001-02 levels. The CMF re-grants the appropriated funding to area community foundations using a population-based formula. Funds are used locally to support initiatives related to youth and senior health issues and to create permanent endowments to support such programs in the future.	Tobacco	0	2,000,000	0
	GF/GP	\$0	\$0	\$0
4. Focus:HOPE	Gross	(\$100)	\$0	\$0
Reduces grant appropriation for Focus:HOPE by \$250,000 in GF/GP as part of target setting agreement. Reduction was restored pursuant to boilerplate following tobacco tax increase (see Item 3 above). Enacted appropriations shift financing of \$5.0 million of the appropriation from GF/GP to federal Workforce Investment Act revenue.	Federal	0	0	5,000,000
	GF/GP	(\$100)	\$0	(\$5,000,000)
5. Adult Education Learning Grants	Gross	(\$100)	\$0	\$0
Overtakes initial elimination of the \$225,000 appropriation per target-setting agreement by boilerplate language restoring funds upon enactment of the tobacco tax increase. Funds are allocated to the Arab-American and Chaldean Council, Jewish Vocational Services, and the Arab Community Center for Economic and Social Services.	GF/GP	(\$100)	\$0	\$0
6. Vocational Rehabilitation Independent Living	Gross	\$0	\$63,300	\$25,000
Provides increase to state's centers for independent living.	GF/GP	\$0	\$63,300	\$25,000
7. Michigan Virtual University	Gross	\$0	\$100	\$1,000,000
Provides support for Michigan Virtual University's technology-based education programs. Funding is from federal Workforce Investment Act dollars transferred from within budget.	Federal	0	100	1,000,000
	GF/GP	\$0	\$0	\$0
8. Gear-Up Program Grant	Gross	\$3,000,000	\$3,000,000	\$3,000,000
Allows for appropriation of federal revenue for federal Gear-Up Grant program which aims to increase number of low-income students who attend college. Provides at-risk youth in grades 7-12 with tutoring, mentoring, and academic enrichment opportunities to enhance preparedness for college work; also seeks to enhance college scholarship availability for participants. Funding is from five-year, \$11.9 million grant from U.S. Department of Education.	Federal	3,000,000	3,000,000	3,000,000
	GF/GP	\$0	\$0	\$0
9. Early Retirement Savings	Gross	\$0	(\$100)	(\$575,300)
Reflects anticipated savings (DMB-estimated) from early retirement; DCD is allowed GF/GP funding to replace one of every four early retirees.	GF/GP	\$0	(\$100)	(\$575,300)

Major Budget Changes from FY 2001-02 YTD Appropriations:**10. General Budgetary Savings**

Reflects target agreement requirement that each department and agency to absorb budgetary savings equal to 1% of Executive-recommended GF/GP appropriation. With the DMB, DCD will formulate proposal regarding allocation of these savings across specific line items; recommendations will be forwarded to House and Senate Appropriations Committees for approval through legislative transfer process.

	<u>House</u>	<u>Senate</u>	<u>Enacted</u>
Gross	\$0	\$0	(\$346,800)
GF/GP	\$0	\$0	(\$346,800)

11. Other Budgetary Adjustments

Reflects reductions totaling \$891,700—including removal of \$346,400 related to sick leave payouts to individuals retiring under the 1997 early retirement program, \$400,000 generated through elimination of a \$375 lump sum payment for state classified employees, and reduction of \$145,300 GF/GP and 2.0 FTE positions used to offset GF/GP economic increases paid to classified employees.

FTEs	(2.0)	(2.0)	(2.0)
Gross	(\$891,700)	(\$891,700)	(\$891,700)
Federal	(667,500)	(667,500)	(667,500)
GF/GP	(\$224,200)	(\$224,200)	(\$224,200)

12. Information Technology Services

Consolidates all appropriations for information technology personnel, support staff, and contracts to separate Information Technology (IT) Services and Projects unit. Just over \$6.4 million in DCD budget is moved into this unit to pay for IT services and projects provided through new Department of Information Technology (DIT). Statewide IT services will be provided by DIT which will bill individual departments for services provided. Funding transfer does not affect overall appropriations in the budget; transfer of staff to new department does lead to reduction of 51.0 FTE positions.

FTEs	(50.0)	(51.0)	(51.0)
Gross	\$0	\$0	\$0
GF/GP	\$0	\$0	\$0

13. Economic Increase

Provides a gross increase for a 2.0% overall increase for classified salaries and to cover economic increases for retirement and insurance costs.

Gross	\$1,878,500	\$1,878,500	\$1,878,500
Federal	1,446,200	1,446,200	1,446,200
Restr	116,100	116,100	116,100
Private	33,700	33,700	33,700
GF/GP	\$282,500	\$282,500	\$282,500

Major Boilerplate Changes from FY 2001-02:**Secs. 259 and 260. Information Technology Services and Projects (New)**

Transfers appropriations covering information technology to a single line item. Provides that this appropriation be used to pay user fees to the new DIT for information technology services. Requires that user fees be based on an interagency agreement between DIT and DCD and allows the appropriation to be designated as a work project and carried forward to support technology projects.

Sec. 261. Early Retirement and Budgetary Savings (New)

Provides that House and Senate Appropriations Committees must approve appropriation adjustments needed to allocate negative appropriations for "Early Retirement Savings" and "Budgetary Savings" to specific line items through the legislative transfer process.

Sec. 262. Restoration of Reductions if Cigarette Tax Increase Enacted (New)

Allows restoration of certain target-setting reductions if cigarette tax increase of at least 30 cents per pack is enacted by September 30, 2002. If enacted, language restores the \$1.0 million reduction to "Council of Michigan Foundations" line item, the \$250,000 reduction for "Focus:HOPE," and the elimination of \$225,000 appropriation for "Adult Education Learning Programs."

Sec. 305. Work First Program

Includes a number of changes to language governing DCD's Work First program. Changes include the following: Subsection (3) – Requires DCD to encourage Michigan Works! Agencies to consider transportation challenges for Work First participants placed in employment. Subsection (11) – Revised to remove requirement that DCD and the Family Independence Agency (FIA) continue to collaborate on "joint guidelines" regarding eligibility of Work First participants for post-employment training support and application of training/education hours toward federal work participation requirements. New language provides that the DCD make available guidelines on these issues and present the guidelines during joint orientations conducted by FIA and Work First contractors. Also removes a required progress report on continuing efforts to establish joint guidelines. Subsection (12) – Establishes a work participation requirement of up to 40 hours per week.

Major Boilerplate Changes from FY 2001-02:

Sec. 328. Technology-Based Education (New)

Provides that Department use the "Michigan Virtual University" (MVU) appropriation to work with MVU to do the following: 1) promote use of education technology to accelerate career and workforce development, 2) promote technology-based training to public and private sector organizations emphasizing partnerships between public education and the business sector, and 3) support and encourage various collaborative efforts among educational institutions and government agencies to meet training needs.

Sec. 329. Focus:HOPE Reporting Requirement (New)

Requires reporting from Focus:HOPE on the use of the organization's grant appropriation. Includes information on expenditures, students served, program enhancements, new hires, and capital expenditures. Report to be distributed to the Chairs of the House and Senate Appropriations Subcommittees overseeing the DCD budget and the House and Senate Fiscal Agencies.

**Summary: Enacted Appropriation
FY 2002-03 Consumer and Industry Services
House Bill 5644
Public Act 527 of 2002**

Analyst: Bob Schneider

	2001-02 YTD (as of 5/10/02)	Change from YTD at 5/10/02					
		Executive	House	Senate	Enacted	FTEs/Dollars	%
FTEs	4,242.9	4,006.4	4,006.4	4,012.4	4,012.4	(230.5)	(5.4)
Gross	\$572,480,400	\$570,138,100	\$570,135,800	\$570,713,000	\$547,480,500	(\$24,999,900)	(4.4)
IDG/IDT	\$111,800	\$111,100	\$111,100	\$111,100	\$111,100	(\$700)	(0.6)
Federal	\$249,567,100	\$242,311,500	\$242,311,500	\$242,311,500	\$239,311,500	(\$10,255,600)	(4.1)
Local	\$0	\$0	\$0	\$0	\$0	\$0	0.0
Private	\$740,000	\$770,000	\$770,000	\$770,000	\$770,000	\$30,000	4.1
Restricted	\$284,164,800	\$288,957,600	\$288,957,600	\$289,532,600	\$271,311,600	(\$12,853,200)	(4.5)
GF/GP	\$37,896,700	\$37,987,900	\$37,985,600	\$37,987,800	\$35,976,300	(\$1,920,400)	(5.1)

OVERVIEW

The Department of Consumer and Industry Services (CIS) acts as the primary regulatory agency within state government, having regulatory and administrative responsibilities in a diverse number of policy areas. These include: a) regulation of specific industry groups (e.g., public utilities, banking and insurance, liquor manufacturing and retailing, construction); b) licensing and regulation of occupations and professions (e.g., doctors, architects, morticians); and c) monitoring and licensing of statutorily-regulated facilities (e.g., nursing homes, clinical laboratories). Department also oversees administration of the state's unemployment insurance and worker's compensation programs. Responsibility for these two programs was recently combined into a single bureau—the Bureau of Worker's and Unemployment Compensation—through Executive Order 2002-1.

Major Budget Changes from FY 2001-02 YTD Appropriations:

1. Fire Protection Grants - VETOED

Eliminates grant appropriation by veto. Line supports formula-based grants to local units of government that provide fire protection services to state-owned facilities. Conference Committee had reduced appropriation by \$3.7 million with language restoring the reduction upon enactment of 30 cents per pack cigarette tax increase. Prior to veto, reduction had been restored.

	<u>House</u>	<u>Senate</u>	<u>Enacted</u>
Gross	\$0	\$0	(\$7,421,000)
Restr	0	0	(7,421,000)
GF/GP	\$0	\$0	\$0

2. Reed Act Funds - Unemployment Programs

Removes appropriations from Employment Security Contingent Fund "Unemployment Programs" line item as part of fund shift, pursuant to target agreement. Reduction will be replaced by federal Reed Act funds through FY 2001-02 supplemental appropriation (House Bill 4373) which will provide Reed Act funds for these purposes for FY 2001-02 through FY 2003-04. "Unemployment Programs" line supports administration of Michigan's unemployment insurance program. State recently received just over \$291.0 million in Reed Act funds as part of federal economic stimulus package. Funds may be used to support unemployment insurance programs and employment service/job placement programs.

Gross	\$0	\$0	(\$10,000,000)
Restr	0	0	(10,000,000)
GF/GP	\$0	\$0	\$0

Major Budget Changes from FY 2001-02 YTD Appropriations:

		House	Senate	Enacted
3. Bureau of Worker's and Unemployment Compensation	Gross	\$0	\$0	\$0
Replaces just over \$9.8 million of corporation fees and securities fees appropriations with funding from the Employment Security Contingent Fund, which is primarily made up of penalties and interest paid by employer delinquent in making unemployment tax payments. Fund had FY 2000-01 closing balance of \$90.3 million. Because securities fees and some corporation fees lapse to general fund, it is likely that the bulk of the \$9.8 million funding shift will result in direct GF/GP savings.	Securities	(5,005,400)	(5,005,400)	(5,005,400)
	Corporate	(4,826,900)	(4,826,900)	(4,826,900)
	Conting	9,832,300	9,832,300	9,832,300
	GF/GP	\$0	\$0	\$0
4. Transfer of Funds for Security Guard/ Detective/ Alarm System Business Licensing	FTEs	0.0	6.0	6.0
Increases FTE positions and restricted revenue appropriations to support licensing activities related to security guards, alarm system contractors, and private detectives. Responsibility for program transferred to CIS from Department of State Police through recently-enacted legislation.	Gross	\$0	\$450,000	\$450,000
	Restr	0	450,000	450,000
	GF/GP	\$0	\$0	\$0
5. Health Services - Increase for Nursing Study	Gross	\$0	\$125,000	\$125,000
Adds Nurse Professional Fund revenue to finance development of a Center for Nursing to study current nursing shortage and market for nurses. Nurse Professional Fund receives revenue from assessment of \$2.00 on each annual nursing license fee. Revenue is used to finance nursing scholarships and other professional development activities. Fund balance was just under \$1.8 million at close of FY 2000-01.	Restr	0	125,000	125,000
	GF/GP	\$0	\$0	\$0
6. Office of Financial and Insurance Services	Gross	\$2,500,000	\$2,500,000	\$2,500,000
Adds restricted revenue appropriations to finance expansion of regulatory activities within Office of Financial and Insurance Services (OFIS); \$1.5 million in insurance fee revenue will allow OFIS to contract with consultants to assist with financially troubled insurance companies and health maintenance organizations; \$1.0 million in regulatory fee revenue would be utilized to expand examination activity involving consumer lenders and investment advisors. These actions would assist OFIS in providing for examinations of these entities every three years.	Restr	2,500,000	2,500,000	2,500,000
	GF/GP	\$0	\$0	\$0
7. Boiler and Elevator Inspectors	FTEs	9.0	9.0	9.0
Appropriates restricted funds to support three new elevator inspectors, six new boiler inspectors, and purchase of hand-held computers and software within the Bureau of Construction Codes. Funding will assist Bureau in meeting statutory requirements on regular inspection of boilers and elevators.	Gross	\$998,600	\$998,600	\$998,600
	Restr	998,600	998,600	998,600
	GF/GP	\$0	\$0	\$0
8. Section 8 Housing Rental Vouchers	Gross	\$6,000,000	\$6,000,000	\$6,000,000
Provides new federal appropriations for Section 8 housing vouchers. Voucher program, administered through the Michigan State Housing Development Authority, provides rental subsidies to eligible low-income individuals. Increase would make about 1,500 additional vouchers available.	Federal	6,000,000	6,000,000	6,000,000
	GF/GP	\$0	\$0	\$0
9. Regional Fire Safety Office	FTEs	4.0	4.0	4.0
Appropriates federal and fire service fees to finance new regional fire safety office for Southeast Michigan region; funding will be applied toward facilities costs as well as three inspector staff positions and one administrative staff position.	Gross	\$287,700	\$287,700	\$287,700
	Federal	48,900	48,900	48,900
	Restr	238,800	238,800	238,800
	GF/GP	\$0	\$0	\$0
10. Nursing Scholarship Program	Gross	\$248,000	\$248,000	\$248,000
Increases appropriations from Nurse Professional Fund (which is financed through contributions from nursing license fees) by \$248,000 to support additional scholarships for nursing students.	Restr	248,000	248,000	248,000
	GF/GP	\$0	\$0	\$0

Major Budget Changes from FY 2001-02 YTD Appropriations:**11. Information Technology Consolidation**

Consolidates all appropriations for information technology personnel, support staff, and contracts to separate Information Technology (IT) Services and Projects unit. Within CIS budget, just over \$26.2 million in appropriations are moved into this unit. Appropriations will be used to pay for IT services and projects provided through new Department of Information Technology (DIT) which will provide IT services statewide, billing individual departments for services provided. Funding transfer does not affect overall appropriations in the budget, transfer of staff to new department does lead to reduction in FTE positions.

	<u>House</u>	<u>Senate</u>	<u>Enacted</u>
FTEs	(222.5)	(222.5)	(222.5)
Gross	\$0	\$0	\$0
GF/GP	\$0	\$0	\$0

12. Early Retirement Savings

Represents anticipated, DMB-estimated early retirement savings. In calculating required savings, CIS is allowed GF/GP funding to replace one of every five early retirees.

Gross	\$0	(\$100)	(\$1,631,700)
GF/GP	\$0	(\$100)	(\$1,631,700)

13. General Budgetary Savings

Reflects leadership target agreement requiring each department and agency to absorb budgetary savings equal to 1% of Executive-recommended GF/GP appropriation. Consumer and Industry Services, along with the DMB, will formulate proposal regarding allocation of savings across specific line items; recommendations will be forwarded to House and Senate Appropriations Committees for approval through legislative transfer process.

Gross	\$0	\$0	(\$379,900)
GF/GP	\$0	\$0	(\$379,900)

14. Other Budgetary Adjustments

Provides for budget reductions, including removal of \$1.2 million in appropriations related to sick leave payouts to individuals retiring under the 1996 early retirement program and reduction of \$970,900 GF/GP and 11.0 FTE positions used to offset GF/GP economic increases paid to classified employees.

FTEs	(11.0)	(11.0)	(11.0)
Gross	(\$2,151,500)	(\$2,151,500)	(\$2,151,500)
Federal	(593,500)	(593,500)	(593,500)
Restr	(498,700)	(498,700)	(498,700)
GF/GP	(\$1,059,300)	(\$1,059,300)	(\$1,059,300)

15. Economic Increase

Reflects increase of \$5.6 million to provide 2.0% overall increase (for classified salaries and economic increases for retirement and insurance costs) net of \$1.9 million in savings generated through elimination of \$375 lump sum payment for state classified employees.

Gross	\$3,662,100	\$3,662,100	\$3,662,100
Federal	875,200	875,200	875,200
Restr	1,866,500	1,866,500	1,866,500
GF/GP	\$921,100	\$921,100	\$921,100

Major Boilerplate Changes from FY 2001-02:**Sec. 261. Early Retirement and Budgetary Savings (New)**

Provides that House and Senate Appropriations Committees must approve negative appropriations for "Early Retirement Savings" and "Budgetary Savings" needed to allocate the appropriations to specific line items through the legislative transfer process.

Sec. 262. Restoration of Reductions if Cigarette Tax Increase Enacted (New) - VETOED

Restores a \$3.7 million target-setting reduction to "Fire Protection Grants" line item if a cigarette tax increase of at least 30 cents per pack was enacted by September 30, 2002. Restoration was subsequently vetoed along with line item.

Sec. 326. MIOSHA Inspectors

Revises current-law language requiring Department to provide funding for 30 general industry safety inspectors, 20 construction industry safety inspectors, and 26 industrial hygienists within MIOSHA program; also requires Department to provide funding for at least 76 individuals within these three categories as a whole.

Major Boilerplate Changes from FY 2001-02:

Sec. 335(2). Shut-off Protection Funds to Community Action Agencies (New) - VETOED

Earmarks \$3.0 million for "Low-Income/Energy Efficiency Assistance" to Community Action Agencies (CAAs) statewide to support shut-off protection programs for low-income individuals with funds to be distributed to CAAs by November 1. Public Service Commission administers the program, which is expected to receive roughly \$48.0 million in revenue per year contributed from electric utilities. The CAAs would have to abide by any reporting or monitoring requirements imposed on other grant recipients of the program. Language was subsequently vetoed.

Sec. 336. Office of Financial and Insurance Services Expenditure Report (New)

Requires a report by December 1 on expenditures for each division within the Office of Financial and Insurance Services (OFIS) for the last completed fiscal year. Requirement is linked to a roll-up of OFIS program line items to accommodate a recent reorganization within OFIS.

Sec. 337. Pilot Program for Joint Review of Child Placing and Child Caring Institutions (New)

Requires Department to work with the Family Independence Agency (FIA) and the Michigan Federation of Private Child and Family Agencies to form a licensing and contract compliance review team pilot. Pilot would coordinate licensing review efforts conducted by Department and contract compliance reviews conducted by the FIA in one child placing institution (e.g., foster care, adoption agencies) and one child caring institution (e.g., children's homes).

Sec. 338. Nursing Study (New)

Allocates \$125,000 to establish a Center for Nursing to conduct research addressing nurse workforce planning, the supply of and demand for nurses, and nurse recruitment and retention issues. The Center will recommend ways to address the current shortage of nurses.

Sec. 339. Worker's Compensation Mediators (New) - VETOED

Requires Department to "provide funding for 6 worker's compensation mediator positions annually." Language was added in response to plans being considered by the Department to eliminate some of the 11 worker's compensation mediator positions funded through the Bureau of Worker's Compensation. Language was subsequently vetoed.

**Summary: Enacted Appropriation
FY 2002-03 Michigan Strategic Fund Agency
House Bill 5643
Public Act 517 of 2002**

Analyst: Bob Schneider

	2001-02 YTD (as of 5/10/02)	Executive	House	Senate	Enacted	Change from YTD at 5/10/02	
						FTEs/Dollars	%
FTEs	234.0	231.5	231.5	231.5	231.5	(2.5)	(1.1)
Gross	\$169,090,600	\$155,037,500	\$156,037,000	\$155,037,300	\$153,656,500	(\$15,434,100)	(9.1)
IDG/IDT	\$100,000	\$100,900	\$100,900	\$100,900	\$100,900	\$900	0.9
Federal	\$62,934,400	\$62,953,300	\$62,953,300	\$62,953,300	\$62,953,300	\$18,900	0.0
Local	\$0	\$0	\$0	\$0	\$0	\$0	0.0
Private	\$850,000	\$853,100	\$853,100	\$853,100	\$853,100	\$3,100	0.4
Restricted	\$45,050,000	\$45,050,000	\$45,049,900	\$45,050,000	\$45,050,000	\$0	0.0
GF/GP	\$60,156,200	\$46,080,200	\$47,079,800	\$47,080,000	\$44,699,200	(\$15,457,000)	(25.7)

OVERVIEW

The Michigan Strategic Fund Agency (MSF) was created by Executive Order 1999-1. The MSF is an autonomous agency within the Department of Management and Budget and houses the State's economic development programs. Programs are administered through the Michigan Economic Development Corporation (MEDC)—a public corporation that represents a partnership between the MSF and local economic development corporations and partners. The MEDC administers various programs aimed at retaining and attracting businesses to Michigan, assisting Michigan business with expansion plans, and providing financial support for local units of government to provide infrastructure improvements necessary for economic development projects. More recently, the MEDC has been charged with administering the Life Sciences Corridor initiative which has received as much as \$50.0 million in tobacco settlement proceeds since FY 1999-2000 to promote research and development in the life sciences as well as the commercialization of new technologies and processes developed through this research.

Major Budget Changes from FY 2001-02 YTD Appropriations:

	<u>House</u>	<u>Senate</u>	<u>Enacted</u>
1. Economic Development Job Training Grants	Gross (\$13,000,000)	(\$13,000,000)	(\$13,000,000)
Reduces funding for the grant program for training providers that deliver customized training programs to Michigan businesses. Additional reduction of \$6.8 million in GF/GP per target-setting agreement is restored through boilerplate appropriation that triggers restoration upon enactment of tobacco tax increase.	GF/GP (\$13,000,000)	(\$13,000,000)	(\$13,000,000)
2. Michigan Promotion Program	Gross \$0	\$0	\$0
Maintains current-year appropriation of \$7.4 million for the program, which is responsible for promoting Michigan as a tourism destination. Restores \$700,000 budgetary reduction per target agreement upon enactment of a tobacco tax increase.	GF/GP \$0	\$0	\$0

Major Budget Changes from FY 2001-02 YTD Appropriations:

		<u>House</u>	<u>Senate</u>	<u>Enacted</u>
3. Capital Access Program	Gross	\$0	(\$100)	(\$1,000,000)
Eliminates current GF/GP appropriation for this program that encourages bank lending to Michigan businesses through contributions to special loss reserve accounts. By reducing loan loss exposure of banks, program encourages additional bank lending to some businesses that might otherwise be rejected due to a higher credit risk. Enrolled bill retained boilerplate language allowing unexpended appropriation authority and other revenue generated from the Michigan Core Communities Fund (MCCF) to be used to finance this program. Language was vetoed.	GF/GP	\$0	(\$100)	(\$1,000,000)
4. Early Retirement Savings	Gross	\$0	(\$100)	(\$895,200)
Reflects anticipated GF/GP savings from early retirement as estimated by DMB. In calculating required savings, MSF is allowed GF/GP funding to replace one of every five early retirees.	GF/GP	\$0	(\$100)	(\$895,200)
5. General Budgetary Savings	Gross	\$0	\$0	(\$460,800)
Requires each department and agency to absorb budgetary savings equal to 1% of Executive-recommended GF/GP appropriation, per target agreement. The MSF, along with the DMB, will formulate a proposal regarding allocation of these savings across specific line items; recommendations will be forwarded to House and Senate Appropriations Committees for approval through legislative transfer process.	GF/GP	\$0	\$0	(\$460,800)
6. Other Budget Adjustments	FTEs	(2.5)	(2.5)	(2.5)
Removes \$41,900 in appropriations related to sick leave payouts to individuals retiring under the 1996 early retirement program, \$92,000 generated through elimination of a \$375 lump sum payment for state classified employees, and \$234,500 GF/GP and 2.5 FTE positions used to offset GF/GP economic increases paid to classified employees.	Gross	(\$367,900)	(\$367,900)	(\$367,900)
	IDG	(500)	(500)	(500)
	Federal	(5,900)	(5,900)	(5,900)
	Private	(800)	(800)	(800)
	GF/GP	(\$360,700)	(\$360,700)	(\$360,700)
7. Economic Increase	Gross	\$314,800	\$314,800	\$314,800
Provides a 2.0% overall increase for classified salaries and economic increases for retirement and insurance costs.	IDG	1,400	1,400	1,400
	Federal	24,800	24,800	24,800
	Private	3,900	3,900	3,900
	GF/GP	\$284,700	\$284,700	\$284,700

Major Boilerplate Changes from FY 2001-02:**Sec. 261. Early Retirement and Budgetary Savings (New)**

Provides that House and Senate Appropriations Committees must approve appropriation adjustments needed to allocate negative appropriations for "Early Retirement Savings" and "Budgetary Savings" to specific line items through the legislative transfer process.

Sec. 262. Restoration of Reductions if Cigarette Tax Increase Enacted (New)

Provides for restoration of certain target-setting reductions if cigarette tax increase of at least 30 cents per pack is enacted by September 30, 2002. Enactment of such an increase restores \$6.8 million of the reduction to "Economic Development Job Training Grants" line item and the \$700,000 reduction for "Michigan Promotion Program."

Sec. 401(4). EDJT Allocation to Community Colleges

Amends current-law language to allocate 90% of the total appropriation (before any allocations taken off the top for worker recruitment or university research match) for Economic Development Job Training (EDJT) grant funds to community colleges or consortia of community colleges and other eligible training providers.

Sec. 401(21). Use of Michigan Capital Growth Fund for University Research Grant Match

Allows existing appropriation of \$5.0 million to the Michigan Growth Capital Fund (established in FY 2001-02 budget) to be used to provide matching funds for universities seeking federal research grants.

Major Boilerplate Changes from FY 2001-02:

Sec. 401(22). EDJT Funds for University Research Grant Match (New)

Allows up to \$1.0 million of the appropriation for "Economic Development Job Training" to be used as grants to provide matching funds for universities seeking to obtain federal funding. Provides that funds be awarded through a competitive grant program, restricts grant levels to no greater than \$500,000, and prohibits a university from receiving more than one grant.

Sec. 401(23). Legislative Intent on Future EDJT Appropriations (New)

Establishes legislative intent that the FY 2003-04 EDJT program be funded at a level not less than the FY 2001-02 level (\$26.5 million).

Sec. 405. Michigan Promotion Program Allocation to Northeast Michigan - VETOED

Earmarks \$25,000 from Michigan Promotion Program to promote tourism activities in the northeast region of the state. Language was subsequently vetoed.

Sec. 410. Life Sciences Corridor Initiative

Revises current-law language to eliminate the word "minor" and to allow adjustments only from basic research and collaborative research fund categories to commercialization fund categories. Current-law Sec. 410(2) allows Life Sciences Steering Committee to make "minor adjustments in category funding percentages outlined elsewhere in boilerplate based upon the demands within categories and the quality of the applications received." Includes new language in Sec. 410(3) establishing legislative intent that in allocating funds to the commercial development fund, the steering committee "give maximum priority to supporting all potential commercialization opportunities that appear to have merit."

Sec. 418(3). Allowable Usage of Michigan Core Communities Funding

Amends current-law language to allow use of funds for "any other costs related to the successful development and implementation of core community or certified technology park projects, at the discretion of the Michigan Economic Development Corporation." Current law allows funds appropriated to the Michigan Core Communities Fund to be utilized for "land and property acquisition and assembly, demolition, site development, utility modifications and improvements, street and road improvements, telecommunication infrastructure, site location and relocation, infrastructure improvements, and costs related to any of these, at the discretion of the Michigan Economic Development Corporation."

Sec. 418(11). Michigan Core Communities Funding for Capital Access Program (New) - VETOED

Provides that up to \$1.0 million of any unexpended and unencumbered balance in the Michigan Core Communities Fund (MCCF) and additional funds received in the MCCF shall be used to support the Capital Access Program. Language was subsequently vetoed.

Sec. 420. Port Huron Technical Assistance Center (New)

Allocates \$20,000 in existing appropriations to the Michigan Technical Assistance Center (MTAC) in Port Huron; MEDC has traditionally provided direct support to certain MTACs which are located in various regions throughout the state and provide government procurement and trade assistance to businesses.